The details of the meals charges which are included in the fares shown in the above table are asunder :—

| Pair of Stations | AC Chair Car/ 3AC/2AC (Rs) | Executive/ FirstAC (Rs.) |
|---|---|---|
| (1) NewDelhi-Amritsar | 83.00 | 124.50 |
| (2) NewDelhi-Lucknow | 91.30 | 136.95 |
| (3) NewDelhi-Dehradun | 83.00 | 124.50 |
| (4) Hazrat Nizamuddin-Mumbai Central | 165.00 | 247.50 |

(c) No Sir. Catering Staff/Contractors of Rajdhani/Shatabdi Express trains are issued only a travel authority to discharge their duty.

(d) Does not arise.

**Pension Liabilities of the Railways**

4392. SHRI RS. GAVAI: Will the Minister of RAILWAYS be pleased to state:

(a) whether the Railways have received the Rakesh Mohan Committee report on its pension liabilities;

(b) if so, the details of recommendations made by the Committee; and

(c) the reaction of the Railways thereto ?

THE MINISTER OF STATE IN THE MINISTRY OF RAILWAYS (SHRI O. RAJAGOPAL): (a) Yes Sir.

(b) Relevant extracts of the Report on Pension Liabilities are enclosed as Statement *(See* below).

(c) The Report is under examination.

**Statement**

*Railways Pension Fund*

The Railways established the Railway Pension Fund in 1964. The underlying intentions of the creators of this fund were good :

*it was to be funded out of railway revenues;

*it would meet current payments to railway pensioners;

*it would build up a fund to meet liabilities for future pension benefits;

*it would be financed on the basis of independent actuarial calculations such that it would have a sufficient balance to meet its liabilities.

The reality has been quite different in the absence of an actuarial assessment and faced with competing demands for funds, IR has been unable to build up a funded scheme. Even today, IR is only managing to pay into the fund what the fund has to pay out to meet its current liabilities; even though some balances were accumulated in the Fund, .they have been almost completely depleted to meet the commitments made on the basis of the Fifth Central Pay Commission (FCPC).

To summarise, the Railways Pension Funds has no funds available to meet its liabilities. The questions thus arise how should that liability be considered and how can it be met ?

Railway Staff Strength and Pensioners Today

Indian Railways today has approximtely 1.5 million serving employees and almost 1.1 milllion pensioners. While the Railways staff strength has remained constant around 1.5—1.6 million since 1975, the number of pensioners has been increasing consistently over the same period'—from 100,000 in 1975 to 700,000 in 1990 and approximately 1.1 million today.

Railway Pensioners in the Future

One can look at a pensions liability as being a cost which the Current employees have to bear (or, better, as a cost which has to be met by revenue earned by those current employees). This allows one to consider two interesting statistics; the pensioners per current employee ratio and the total pension cost as proportion of total operating cost. This does *not* mean that the Expert Group believes that this is a problem which should be *borne by* the current employees— far from it. Rather, these statistics are useful to understand the nature of the problem facing Railways and its owner.

Exhibit 6 A. 5: Pension Cost as Proportion of Operating Expenses

| | 1975 | 1981 | 2000 |
|---|---|---|---|
| Pensioners per Employee | 0.06 | 0.17 | 0.74 |
| Pension Cost to Operating Expenses (Per cent) | — | 4.6 | .14 |

These ratio show a worrying trend-which the table below indicates is going to get much worse very quickly.

Exhibit 6A *6* : Estimates of Railway Pensioners and Pension Benefits (in 2000-01 prices)

| Year | Staff Cost (Rs. Crore) | No. of Pensioners | Total Staff | Dependence Ratio | Avg-Annual Pension Bei efit (in Rs.) | Total Pension Benefit (Rs. Crore) | Pension per cent of Staff Cost |
|---|---|---|---|---|---|---|---|
| 2001 | 11,885 | 1,021,17 | 1.495.000 | 0.737 | 46,881 | 5.167 | 43.5 |
| 2002 | 12,076 | 1,147,137 | 1,465,000 | 0.785 | 47.945 | 5,500 | 45.5 |
| 2003 | 12,269 | 1,192,137 | 1,435,000 | 0.831 | 49,034 | 5.845 | 47.6 |
| 2004 | 12,466 | 1,237,137 | 1,405,000 | 0.880 | 50,147 | 6.204 | 49.8 |
| 2005 | 12,666 | 1,267,032 | 1,360,000 | 0.931 | 51,285 | 6,498 | 51.3 |
| 2006 | 12,869 | 1,311,874 | 1,315,000 | 0.997 | 52,449 | 6.881 | 53.5 |
| 2007 | 13,075 | 1,356,716 | 1,256,000 | 1.080 | 53.640 | 7,277 | 55.7 |
| 2008 | 13,655 | 1,416,505 | 1,196,000 | 1.184 | 54.857 | 7,771 | 56.9 |
| 2009 | 14,261 | 1,476,294 | 1.196,000 | 1.234 | 56,103 | 8.288 | 58.1 |
| 2010 | 14,893 | 1,476,294 | 1.196.000 | 1.234 | 57.376 | 8.470 | 56.9 |
| 2011 | 15,553 | 1.476,294 | 1,196.000 | 1.234 | 58,679 | 8.663 | 55.7 |
| 2012 | 16,243 | 1.476,294 | 1.196.000 | 1.234 | 60.011 | 8.859 | 54.5 |
| 2013 | 16,963 | 1,476,294 | 1.196.000 | 1.234 | 61,373 | 9.060 | 53.4 |
| 2014 | 17,715 | 1,476,294 | 1,196.000 | 1.234 | 62,766 | 9,266 | 52.3 |
| 2015 | 18.501 | 1.476.294 | 1,196.000 | 1.234 | 64.191 | 9.476 | 51.2 |
| 2016 | 19,321 | 1,476,294 | 1,196,000 | 1.234 | 65,648 | 9,692 | 50.2 |

Focusing on the issues

What do all of these numbers tell us ? The view of the Expert Group is that they indicate the scale of the problem—but, as noted above, they do not help in suggesting a solution. We, therefore, turn to the next question—why can't Railways just continue to bear these costs on the same basis ?

It could—in much the same way as it is going to have to bear the various other costs associated with running a railway business—like the third party debt it inherits, wages, capital expenditure etc.—i.e. IR could treat the pension liability as just another debt.

However, the Expert Group questions whether that is the right approach for a number of reasons:

* 'Pay-as-you-go' systems such as that in place in IR are universally acknowledged to be highly flawed. They fail the fundamental principle of prudence which all business should adopt (accruing funds to meet future liabilities as these liabilities accrue), they provide no security to employees, they hinder employee choice and they are particularly dangerous in business where efficiencies are improving dramatically. In essence, such system are not sustainable in commercial concerns:

* At a practical level, and a discussed in section 5.8 railways is utterly reliant on Gol to meet operating and capital shortfalls i.e. IR can not serve its liabilities anyway. So there is no point in just 'leaving' the liability with IR-it will come straight back to Gol anyway,

* One of the key objectives of the Expert Group is to recommend a structure which *going forward* allows IR to be run as a going concern on commercial terms. Saddling it with a vast liability built up over the past 60 or 70 years imposes an unnecessary burden which its competitors in India and its comparators and peers around the world do not have to carry; and

* The employees of IR are entitled to some measure of security as to their pension benefits- with IR emerging into a riskier world, it may be preferable to insulate those benefits from the business.

Is There a solution?

Yes—in fact there are many. This is an issue which has been faced by numerous businesses all over the world. It has been seen most frequently in

government owned businesses (which, traditionally, treat business employees like civil servants and pay pensions on a PAYG basis out of the exchequer) as they move towards more commercial structures (and, in many cases, towards partial or complete private sector ownership).

So, how should IR deal with this ? Step 1 is to assess the problem. This is most easily done if one can separatre the liabilities into three categories :

A. Liabilities to past employees;

B. Future liabilities to current employees in respect of their pensions entitlements accrued for past service; and

C. Liabilities which will accrue in the future to employees (current and future) in respect of future employment.

Category C liabilities are the easiest to deal with- these are—'normal' costs of employment which any employer bears and which should therefore be allocated to IR (albeit that Gol may be paying or contributing to them for a few years via its subsidy).

Category A and B liabilities are rather different. These are liabilities which have already been run up-but for which no cash fund is available. These liabilities have been estimated as at April 30,2000 at about Rs 40.000 crore. This does not mean that Rs 40,000 crore is needed immediately—rather that this is the cash sum which, if invested today, would be sufficient (using its opening corpus and future investment income) to meet those accrued liabilities as they fall due.

How can such a fund be built up? that is a political question. The Expert Group's recommendation is that it be built up over a relatively short period (say in five years) by contributions from Gol either direct or via Railways. A final question needs to be answered - what form should such a fund take ?

As mentioned above, there are numerous precedents. Our recommendation is as follows:

1. Gol and IR should aim to create a fully-funded scheme;

2. The fund should be independent of IR with an independent board of trustees and a clear set of rules governing, *inter alia,* investment principles and employee entitlements;

3. IR should pay contributions into the fund on an on-going basis to build up the corpus to meet Category C liabilities. It may be worthwhile (given point (8) below) to treat these liabilities differently—in that employees' benefits derived from future employment could be tied to actual performance of the invested funds rather than to the existing index-linked basis;

4. The sum required to meet the Category A and B liabilities should be contributed by GoI (ideally directly rather than via Railways) over a limited period (say five years) from the exchequer/general reserve;

5. The fund should be sufficiently flexible to allow changes (particularly to allow transfer of pension rights) as the pension industry matures in India;

6. GoI should take over this liability from IR as part of the restructring and corporatisation process (a normal route being for GoI to receive equity to the same value);

7. GoI and IR should ensure that employees and pensioners understand the changes and understand their impact on each of them;

8. It may be sensible for GoI and IR to ensure that Category A and B benefits available under the new scheme cannot fall below those which would have been available under the old scheme.

Note on Annex 6.3

The estimation at the beginning of the year is reassessed at the Revised Estimates stage to take into account any fresh development during the year. The Budget and Revised estimates of pension liabilities since 1991-92 is given in Exhibit 6A.7. An average discrepancy of 4.8 per cent between the Budget and Revised Estimates during 1991-92 and 1996-97 shot up to 46.7 per cent and 45.8 per cent during 1997-2000. This is mainly due to the uncertainties involved in implementation of the FCPC recommendations and the issuance of a number of orders in this regard at different times causing delay in their implementation.

Exhibit 6A.7. Railway Pension Estimates and Actual Payments

| Year | Pension outgoes (Rs crores) | | | Discrepancies (per cent) | |
|---|---|---|---|---|---|
| | BE | RE | Actuals | RE/BE | Actuals/RE |
| 1991-92 | 963 | 1000 | 1040 | 3.84 | 4.00 |
| 1992-93 | 1144 | 1268 | 1251 | 10.84 | —1.34 |
| 1993-94 | 1516 | 1516 | 1488 | 0.00 | —1.85 |
| 1994-95 | 1700 | 1750 | 1686 | 2.94 | —3.66 |
| 1995-96 | 1970 | 2080 | 2117 | 5.58 | 1.78 |
| 1996-97 | 2350 | 2485 | 2509 | 5.74 | 0.97 |
| 1997-98 | 2500 | 3667 | 3509 | 46.68 | -4.31 |
| 1998-99 | 2300 | 3830 | 4144 | 66.52 | 8.20 |
| 1999-2000 | 3300 | 4094 | | 24.06 | |

**Recruitment of Unemployed Youths from J and K in the Railways**

4393. MIRZA ABDUL RASHID: Will the Minister of RAILWAYS be pleased to state:

(a) how many educated unemployed youths from Jammu and Kashmir have been recruited, by the Railway Recruitment Board Jammu/Srinagar or any other Recruitment Board of the country during the last five years; and

(b) whether it is a fact that not a single unemployed educated youth from Jammu and Kashmir has been recruited in the Railway Department during the same period; if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF RAILWAYS (SHRIO. RAJAGOPAL): (a) and (b) Recruitment figures are not maintained state-wise. As such, it is not becoming feasible to furnish the desired information.

**Meeting of DRUCC**

4394. SHRI VUAY J. DARDA: WiU the Minister ofRAILWAYS be pleased to state:

(a) whether the meeting of Divisional Railway Users Consultative Committee (DRUCC) held at Nagpur on 11th May, 2001 had to be abruptly adjourned, without transacting any pruposeful business ;